



TSE: 2352

QISDA 2014 ANNUAL REPORT

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Qisda Annual report is available at <http://Qisda.com>

Table of Contents

Message to Our Shareholders	2
Overview of Operation	3
Corporate Governance	9
Company Financials	15

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QISDA ON THE INTERNET

Qisda's Investor Relations home page on the worldwide website offers a wealth of corporate information, including the latest annual report and financial results.

Website: Qisda.com/ir.htm

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DOMESTIC STOCK EXCHANGE LISTING

Qisda Common shares

Taiwan Stock Exchange Corporation

<http://www.tse.com.tw/en/>

OVERSEAS SECURITY EXCHANGE LISTING

For further information, visit Qisda worldwide website and Login at Investor Relations

Qisda Global Depositary Shares

Luxemburg Stock Exchange

ISIN: US0823012010

<http://www.bourse.lu>

Message to our Shareholders

Dear esteemed Qisda shareholders,

In 2014, Qisda's consolidated revenue grew 12%, reaching NT\$133.5 billion. The consolidated net income was NT\$2.93 billion, and the consolidated profit after tax was NT\$3.33 billion. Net profit attributable to owners of parent company was NT\$2.97 billion, with an after tax earnings per share at NT\$1.51.

Qisda has three main operating focuses – optimization of existing business operations, rapid expansion of the medical business, and acceleration of solution development. With extensive efforts in business development and expansion, Qisda has accomplished the following achievements in 2014:

1. Optimization of existing business operations: Qisda was able to maintain a steady progress and market leadership with its two main product lines: monitors and projectors. The monitor product line prioritized the development of high-end and high unit price products, and more than one million high-end professional monitors were sold in 2014. Taking as a whole, the monitor product line performed better than the industry average and ranked number 2 in the world. The projector product line sustained a solid improvement in its product mix, and its market share increased to 20%, ranking number 2 (number 1 for DLP projectors) in the world. Sales of home-theater projectors with higher unit price and margin reached 25% of the total sales.
2. Rapid expansion of the medical business: In 2014, Qisda's consolidated revenue from the medical business exceeded NT\$5 billion. Revenue from BenQ Medical exceeded NT\$1 billion, and revenue from both Suzhou and Nanjing BenQ Hospitals increased more than 30%. In terms of medical business development, Qisda not only offered medical products and solutions via BenQ Medical Technology for operating room, ultrasound, and medical supplies, but also introduced 3D dental implant integrated services by BenQ AB DentCare Corp. (a joint venture with AB Dental of Israel). Moreover, in 2014, Qisda also entered into the hemodialysis field through the cooperation with Medica SPA of Italy.
3. Acceleration of solution development: In 2014, Qisda formed the BenQ Business Solution business group and set foot in the smart store system integration market by investing in Partner Tech Corp.

For 2015, Qisda will continue to aim at the three main operating focuses in order to further create long-term value for the company. The plans are as follows:

1. Optimization of existing business operations: Sustaining focus on developing high-end and high unit price niche monitors for medical, graphic, design, and gaming applications and to expand sales proportion and improve profit margin of these monitors. Increasing projector market share and retaining the world leading position by offering a variety of high-end and high brightness products and developing high-end education and smart projectors.
2. Rapid expansion of the medical business: Maintaining a 30% growth rate by continuing with the deployment of sales channel as the priority while developing proprietary product technologies. In addition to the integration of group resources, Qisda will also adopt win-win acquisition and joint venture strategies to further strengthen its foothold in the medical market.
3. Acceleration of solution development: Evolving into a comprehensive software and hardware system integrator and solution provider by focusing on the 6 Smarts – Smart Store, Smart City, Smart Enterprise, Smart Factory, Smart Hospital, and Smart School.

Qisda maintains its competitive advantage by emphasizing on innovation and technological development. An average of 2%~3% of its annual revenue was spent each year in research and development, which earned Qisda approximately 1,100 patents around the world. Qisda is committed to sustainable development and social responsibility, and was awarded the silver medal of "Taiwan Top 50 Corporate Sustainability Report Award" in Large Enterprise, Electronics Industry II division by the Taiwan Institute for Sustainable Energy in 2014 for its efforts in maintaining a high degree of transparency in sustainable development indicators in economical, environmental and social fields. Furthermore, Qisda ranked number 12 in the Channel NewsAsia Sustainability Ranking, which is the second highest ranking among Taiwanese companies.

Qisda is extremely grateful to each and every shareholder for their long-term support and encouragement. The management team will continue to work relentlessly to deliver the greatest benefit to both the company and its shareholders.

Sincerely,

K.Y. Lee, Chairman
Peter Chen, President

Overview of Operations

Operational Guidelines

Business Scope

1. Overview of Business Operations

LCD Monitor: The sales volume of Qisda's DMS (Design and Manufacturing Services) business was about 16 million sets in 2014 which enabled Qisda to maintain the 2nd largest manufacturer in the industry. Qisda will continue to focus on fortifying relationship with customers, developing new product features and engaging in value-added vertical integration activities such as panel module assembly and in-house mechanical parts manufacture. Meanwhile, Qisda will also actively invest in technological researches and develop displays with integrated design and cloud connectivity. On the other hand, a strong growth can be seen in value-added and high-end products such as high-performance gaming monitors, professional color management monitors, professional graphic design monitors and large-size (24" and above) monitors. Qisda will continue to devote itself to the research and development of monitors for professional applications and with integrated design.

Projector: Qisda's DMS business maintained the top 1 position worldwide in 2014 with increased shipment and market share. Qisda is the only manufacturer in Taiwan that is capable of both DLP and LCD projector mass production and shipment. Compared with 2013, there was a steady growth both in sales volume and market share.

Medical Service: The Nanjing BenQ Hospital, with more than 700,000 annual patient visits in 2014, has four major province- and city-level divisions and is currently the 2nd largest parturition hospital in Nanjing. Based on current foundation, intensive care, high-end obstetrics, pediatrics and postnatal care services are being developed to fulfill specific demands. Meanwhile, the Suzhou BenQ Hospital which opened in May 2013 with more than 250,000 annual patient visits in 2014, mainly focuses on medical diagnosis/treatment and high-end health examination services.

2. Product Offering

LCD Monitor: 18.5"/19"/19.5"/21.5"/23"/23.x"/24"/27"/32" consumer and commercial LCD monitors, wide-screen and professional LCD monitors, all-in-one PCs and 32"/42"/46"/ 55"/65" public displays.

Projector: A wide range of projectors for home, office and educational applications.

Medical Service: General medical diagnosis/treatment, high-end health examination, medical aesthetics and postnatal care services.

Industry Overview

1. Current Status and Trends in Development of the Industry

LCD Monitor: As indicated by market research reports, LCD monitor market declined at an annual rate of 2.5% in 2014. The market forecast for LCD monitors in 2015 is expected to have a 2.5~3% further decrease due to the impact of the substitution effect caused by handheld devices. Moreover, the competition among system integrators will also remain severe. In order to enhance the competitive edge, Qisda is planning to place its focus on value-added product development and optimization of vertical integration in supply chain with economies of scale.

Projector: According to industry analysis reports, the total number of projector shipment worldwide was 8.2 million units in 2014, with a flat expectation for 2015. The volume ratio for high brightness, high resolution and non-light ball (LED and laser) source projectors will continue to increase in the future. Also the growth in home and personal/mobile scenarios enables the sales volume of projectors with 1080p and 3D features to grow rapidly. Educational and office applications are supposed to decline due to the expansion of flat panel displays.

Medical Service: The medical market in China is expected to grow rapidly in parallel with the country's swift economic

development and increase of medical insurance coverage. Plus, the country's 12th five-year plan encourages the establishment of non-governmental medical institutes and such policy will further accelerate the expansion of market size of non-governmental hospitals.

2. Overview of Supply Chain

LCD Monitor: Upstream business partners consist mainly of LCD panel manufacturing and module assembling plants, including key components such as LCD panels, LED backlight modules and control chipsets. Midstream and downstream partners include system integrators and brand customers, which represent a mature and competitive market. Qisda has developed and maintained strong and long-term relationship with all of its upstream strategic suppliers and downstream brand customers.

Projector: Upstream partners consist of a line of optoelectronic device makers, including panel chipset, lens and specialized lamp manufacturers. Midstream and downstream partners include projector manufacturers and brand customers. An intimate yet intricate relationship exists amid upstream, midstream and downstream partners as alliance and competition intertwines among business competitors.

Medical Service: The Nanjing BenQ Hospital is one of the first civil pediatric doctor standardization bases in the Jiangsu Province of China where 50 pediatric doctors were trained annually. In 2011, the hospital became the fourth clinical school of the Nanjing Medical University with 11 clinical professors and established a cooperation and transfer procedure with top-level medical centers in Jianyeh, Lishui, Pukou and Luhe District of Nanjing City as well as medical cooperation with secondary-level medical centers in nearby cities such as Yangzhou, Huaian and Ma An Shan in the same province and Chuzhou, Hefei in the Anhui Province. The Suzhou BenQ Hospital opened in May 2013 and is now a subordinate hospital of the Nanjing Medical University.

3. Trends in Development and Market Competition of the Company's Product

LCD Monitor: To survive the mature LCD monitor market, in addition to increasing cost competitiveness and offering flexible delivery, Qisda aims to work closely with brand customers to develop gaming monitors and monitors with ultra-high resolution, cloud connectivity, wireless application and other customized and specialty application products to fulfill diverse demands of the niche market.

Projector: The projector market has expanded as improvements applied to commercial projectors accelerated due to the advent of the latest technologies. In addition to an economical price tag, projectors have become smaller and lighter while the brightness and resolution have been vastly enhanced. It is estimated that the demand for projectors will increase globally with the expansion of ultra-short-throw interactive projectors for classrooms, high-resolution and high-brightness projectors for meeting rooms and multi-media home entertainment projectors for home theaters. Meanwhile, due to the popularity of personal mobile devices and variety of wireless data applications, the growth of personal and home multimedia markets over the commercial and educational ones is becoming a foreseeable trend in the future.

Medical Service: The Chinese government has permitted private and foreign capitals to invest in the medical service industry. In 2014, the government also lifted the restriction of sole proprietorship of Medical Institutions. Hence Taiwan investors, such as the Formosa Plastic group, Want Want group and BenQ group as well as a number of renowned domestic medical organizations all actively filed applications in order to seek new opportunities abroad.

Research & Development

I. Technologies in Deployment

LCD Monitor: 4K2K high-definition monitors, high color gamut LED backlight modules/monitors and HDMI 2.0/MHL 3.0 function monitors.

Projector: High brightness projector for large venue, industry-leading home entertainment short-throw HD 1080p projectors, UST projectors with interactive module for education market and 3D 1080P wireless projectors for home market.

Medical Service: The BenQ Hospitals have already established the thoracic surgery division (a nationally recognized clinical division), the radiology division (a municipally recognized clinical division, also honored the major division of the Nanjing Medical University), oncology division (a municipally recognized clinical division) as well as the urology and dermatology divisions.

2. Highlights in Future Technological Development

LCD Monitor: Curved displays, 5K3K high-definition monitors, high color edge-to-edge monitors, Smart device displays and medical monitors.

Projector: Ultra short-throw ratio, wide-screen (1080p), high brightness, touch-panel projectors, and projectors for educational purposes as well as large commercial projectors with ultra-high brightness capability, maintaining balance between technological advancement and practical application while continuing with the improvement in color management and resolution. High-resolution projectors and interactive solutions for educational market and improvement of user interface are also considered important in future technological development.

Medical Service: The BenQ Hospitals have implemented the “patient-centric and complete medical care” concept to promote the medical care systems currently being adopted in Taiwan, which includes the attending physician system, nursing duty system, medical counseling/tracking system and pharmacist system. Nanjing BenQ Hospital plans to establish 5 specific medical centers including oncology, thoracic, neurosurgery rehabilitation, obstetrics / gynecology / pediatrics and cardiovascular centers. Suzhou BenQ Hospital plans to establish 4 specific medical centers including severe illness, oncology, obstetrics/gynecology/pediatrics and health management centers.

Long- and Short-term Business Development Plans

I. Short Term Business Development Plans

LCD Monitor:

- (1) Solidify the leading position and provide high-end products.
- (2) Provide all sizes of LCD displays and promote large-size, high-performance and LED backlight models while actively engaging in monitor-related application researches as ways to maintain Qisda’s position as one of the top three manufacturers worldwide.
- (3) Increase add-on value in value chains through vertical integration, such as panel module assembly, backlight module design, in-house stamping and in-house plastic injection.

Projector:

- (1) Solidify the leading position and provide one-stop services featuring hardware and software integrated solutions.
- (2) Continue developing DLP and LCD projector technologies in order to maintain technological advantage and superiority within the industry.
- (3) Cultivate the home projector market utilizing comprehensive product lines. Keep developing solutions for interactive teaching. Improve the quality of wireless transmission.

Medical Service:

- (1) Solidify the capability of each division as a general hospital and develop specialized divisions.
- (2) Develop the capabilities of medical services for specific demands like postnatal care and medical aesthetic services.

2. Long Term Business Development Plans

LCD Monitor:

- (1) Enhance product customization capabilities and eliminate inefficient activities within the value chain through the synchronization of design and production process of backlight module and displays, thus offering diversified and value-added products.
- (2) Continue cooperating with AU Optronics Corp. Meanwhile, form strategic alliances with other major panel suppliers.
- (3) Expand professional monitor offerings to industrial design, professional CAD/CAM usage, color management and medical application markets.
- (4) Optimize hardware and software integrated solutions to provide better user experience in order to create value-added services and increase customers' brand loyalty.

Projector:

- (1) Expand and enhance product diversifications for mainstream product lines.
- (2) Accelerate the development of high-end models to complete product offering.

Medical Service:

- (1) Strengthen cooperation with medical schools and enhance personnel training.
- (2) Enter into the hospital management business by utilizing experiences in the BenQ Hospitals and skills of the team.

Markets and Sales

Market Analysis

1. Major Sales Markets

LCD Monitor: Worldwide

Projector: Worldwide

Medical Service: The cities of Nanjing and Suzhou in China

2. Market Share

LCD Monitor: As one of the top two LCD monitor manufacturers worldwide that occupies the leading position in the industry, Qisda held approximately 11% of market share in 2014 and No.1 in that for 20"-plus monitors.

Projector: With market share at approximately 20%, Qisda is the No. 1 projector ODM worldwide in 2014.

Medical Service: The Nanjing BenQ Hospital is the only third-class general hospital in the Jianyeh District; while the Suzhou BenQ Hospital is the only third-class general hospital in the Gaoxin District.

3. Strategies Formulated Based on Future Demands, Growth, Competitive Niche, as well as Positive and Negative Factors in Market Trends

LCD Monitor:

- (1) Positive factors: As the industry consolidates, big players are likely to remain large.
- (2) Negative factors: Severe price competition in a matured market as cost and price become extremely important to brand customers and consumers. Moreover, the trend for mobile devices to replace personal computers further impacts the demands for consumer and commercial LCD monitors.
- (3) Strategies:
 - i. Provide displays with all panel sizes and promote large-size, high-performance and LED backlight monitors where Qisda is believed to possess distinct advantage over competitors.
 - ii. Cultivate and maintain strategic partnerships with top-tier panel vendors to ensure smooth supply of critical parts.
 - iii. Increase add-on value within the value chain through vertical integration, such as integrating the design/assembly process for panel module and backlight module and increasing the ratio of in-house stamping and in-house plastic injection.
 - iv. Optimize product portfolio by strengthening large-size and high-end professional models.
 - v. Product differentiation: Continue with the development of value-added products to increase profitability, avoid price wars and satisfy the demand for multiple displays per room/family.

Projector:

- (1) Positive factors: In addition to the benefit from economies of scale, leading technologies allow Qisda's projectors to remain competitive on a global scale and market share is expected to continue its growth.
- (2) Negative factors: Shorter projector product lifecycle and market price disruption caused by growing number of competitors and similar products.
- (3) Strategies:
 - i. Increase operational efficiency in order to control inventory and fulfill customer needs.
 - ii. Strengthen product lineup by increasing the ratio of products with high gross profits.
 - iii. Deeply understand consumer needs and accelerate product development lead-time.

- iv. Provide a comprehensive solution for interactive teaching.
- v. Improve price margin by strengthening product portfolio.

Medical Service:

- (1) Positive factors: The demand for medical services in China is expected to increase due to the reformation of medical administration on a national scale. A high entry barrier bars competitors from entering into the general hospital business and years of hospital management experience also makes it impossible for competitors to catch up instantly.
- (2) Negative factors: Over 90% of the hospitals in China are state-owned, and doctors usually hesitate about joining private-owned hospitals. This forms an obstacle in personnel recruitment and development.
- (3) Strategies: China's 12th five-year plan lifted the ban on the investment of hospitals by private capitals. In the future, private-owned hospitals will gradually benefit from policies that were only favorable to their state-owned counterparts in the past. With highly advanced hospital management skills and an experienced team backed by the strength of vertical integration within the BenQ group, undoubtedly the BenQ Hospitals will become the leader in the field of medical industry in China.

Product Application and Manufacture Process

1. Product Application

LCD Monitor: Visual display of computer outputs.

Projector: Portable and multi-user capacity; specifically, conferences, meetings and trainings for commercial and educational institutions, as well as provide theater-quality videos for home theaters and gaming consoles.

Medical Service: N.A.

2. Manufacture Process

LCD Monitor: Incoming inspection → Assembly → Pre-set → Burn-in → Function test → Exterior inspection → Packaging → Inventory → Shipping.

Projector: Incoming inspection → Optical system assembly → Module assembly → Burn-in → Final test → Packaging → Inventory → Shipping.

Medical Service: N.A.

Overview of Raw Material Supply

LCD Monitor: Continue cooperating with AU Optronics Corp. to develop superior vertical integration as well as maintaining close partnerships with top-tier panel vendors in Taiwan and Korea in order to ensure smooth supply of panels at lower costs.

Projector: A state of oligopoly remains for DMD and LCD panels as suppliers are limited to TI, Epson and Sony. Lamp suppliers are in a similar state due to the industry's high entry barrier. Qisda has maintained close relationship with suppliers to ensure smooth supply of key components.

Medical Service: N.A.

Corporate Governance

Corporate Governance Structure

Qisda complies with Company Law, the Securities and Exchange Act, and other relevant laws and regulations of the Republic of China to formulate and implement the company's corporate governance structure. Qisda's corporate governance structure model is made up of three units, the board of directors, audit committee and remuneration committee. The audit committee is made up all of independent members of the board of directors. The remuneration committee members were appointed by resolution of the board of directors. Members of the board of directors (including independent directors) are selected based on shareholder votes. In principal, the responsibilities of the board of directors are carried out in accordance with relevant laws, company regulations, and shareholder resolutions. The board of directors is also responsible for supervision of company management and overall operational status. The audit committee's responsibilities include accurate financial reporting, selection and performance of independent accountants, effective implementation of internal controls in accordance with relevant laws and regulations, and management of existing and/or potential risk. The remuneration committee will exercise the care of a good administrator in faithfully performing the official powers, and shall submit its recommendations for deliberation by the board of directors.

Qisda has always believed that upholding shareholder rights and interests is a primary task. In addition to having a professional management team rich in experience, the board of directors also possesses the necessary executive knowledge, technological know-how, professional accomplishments, and devotion to the maximizing shareholder rights and interests. The board of directors has 9 members (including 3 independent directors). The chairman is elected by the board. Board members all have 5 or more years experience in business administration, legal, finance, accounting, or other professional experience required by the company.

Primary Roles of Governance Entities

Qisda's board of directors considers company and shareholder interests as top priorities in performing operational evaluations and passing significant resolutions. The audit committee fulfills a supervisory role through prudent and careful oversight of the operations of the company and the board of directors.

Board of Directors

According to the Securities and Exchange Act Article 26, Paragraph 3, Subparagraph 8 regulations, Qisda created the "Regulations Governing Procedure for Board of Directors Meetings". Official board of director business, operational procedures, records of official business, and announcements on company and other related matters are carried out according to these regulations. Qisda's board of directors shall convene at least once per quarter. The guiding policy of the board members shall be to maximize shareholder rights and interests through upright management, faithful obligation, the highest degree of personal oversight, and prudent application of the authority of their positions.

Audit Committee

In 2008, the company set up independent directors and an audit committee in accordance with the Securities and Exchange Act and shareholder resolutions. Through the "Audit Committee Charter" as defined by the board of directors, the audit committee preserves and strengthens the organization's strategic policies and works to increase operational efficiency through practical application of corporate governance. Qisda's audit committee must convene at least once per quarter and request the attendance of accountants, internal auditors, risk management, legal, and finance department representatives. By providing information on audit committee reports and inquiries into recent financial reporting status, the results of internal audits, significant litigation, and financial operating status, the audit committee can assist investors in ensuring that company governance is transparent and shareholder rights and interests are

Remuneration Committee

The remuneration committee will exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors; A. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers. B. Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

Board of Directors

Board Members

Date: April 19, 2015

Title	Name	Education & Experience	Current Positions
Chairman	K.Y. Lee	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University VP, Acer PC Product Marketing	Chairman: Qisda Corp., AU Optronics Corp., BenQ Corp. Director: Darfon Electronics Corp., BenQ Materials Corporation, BenQ Foundation
Director	Stan Shih	Honorary Doctor of International Law, Thunderbird, American Graduate School of International Management Honorary Fellowship, University of Wales, Cardiff Honorary Doctor of Technology, The Hong Kong Polytechnic University Honorary EE Ph.D., MSEE, BSEE, National Chiao Tung University Co-Founder, Chairman Emeritus of the acer Group	Chairman: iD SoftCapital Group Director: acer Inc., Qisda Corp., Wistron Corp., Nan Shan Life Insurance Company Ltd., Egis Technology Inc. Independent Director: Taiwan Semiconductor Manufacturing Company
Director	Sheaffer Lee	EMBA, National Cheng Chi University B.S., Electrical Engineering, National Cheng Kung University AVP, acer America President, Qisda Corp.	Chairman: Darfon Electronics Corp., Dazzo Technology Corp., Director: Qisda Corp., Raydium Semiconductor Corporation, BenQ Corp., Darfon Innovation Corporation, Sanda Materials Corp.
Director	Peter Chen	EMBA, Thunderbird, The American Graduate School of International Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Chairman: BenQ Medical Technology Corporation, Partner Tech Corp. Director: BenQ AB Dentcare Corporation, Darfon Electronics Corp., BenQ Corp., Crystalvue Medical Corporation, BenQ Dialysis Technology Corp. Director and President: Qisda Corp.
Director	AU Optronics Corp.- Kuo-Hsin Tsai	EMBA, National Chiao Tung University B.A., Business Administration, National Cheng Kung University VP&GM: Information Technology Display Business Group, AU Optronics Corp.	Director: Qisda Corp. SVP & GM: Video Solutions Business Group, AU Optronics Corp.
Director	China Development Industrial Bank- Cathy Han	MBA, Central Connecticut State University	Senior AVP: Principal Investment Department, China Development Industrial Bank Director: Qisda Corp., Powertech Industrial Co., Ltd., Lextar Electronics Corporation, Cando Corp.
Independent Director	Kane K. Wang	Ph.D., The Structure of Technology, Demand, and Market of US Automobile Industry, MIT M.S., Transportation Planning and B.S., Civil Engineering, National Taiwan University Director and Professor, Graduate Institution of Industrial Economics, National Central University	Chief Professor: China University of Technology Independent Director: Qisda Corp., Formosa Advanced Technologies Co., Ltd, Formosa Chemical Co., Ltd. Supervisor: Platinum Optics Technology Inc.
Independent Director	Allen Fan	B.S., Electrical Engineering, National Taiwan University General Manager, WKT Technology Fund President, Microsoft Taiwan VP, Twinhead International Corp. VP, HP Taiwan	Chairman: Yu Xuan Corp. Director: Transcend Information, Inc., Belden International Inc., Cyberon Corporation Independent Director: Qisda Corp., Wistron Information Technology and Services Corporation
Independent Director	Jeffrey Y.C. Shen	EMBA certificate, University of Michigan B.S., Mechanical Engineering, National Cheng Kung University President, Changan Ford Mazda Automobile Company President, Ford Lio Ho Motor Company	Independent Director: Qisda Corp. Chairman of the Asian Pacific: Eagle Ottawa, LLC

Material Resolutions Approved by Board Meetings

Date	Approval Events
2014.03.20	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2013 2. Approved the proposal for 2013 deficit compensation 3. Approved to elect nine directors (include three independent directors) 4. Approved the proposal for releasing newly-elected Directors from non-competition restrictions 5. Approved to convene 2014 Qisda Annual General Meeting 6. Approved to donate to BenQ Foundation
2014.05.09	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2014 Q1 2. Approved to revise the agenda of 2014 Annual General Meeting
2014.06.26	<ol style="list-style-type: none"> 1. Approved to elected Lee, Kuen-Yao as Chairman
2014.08.08	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2014 1H 2. Approved to subscribe the private placement stock of Partner Tech Corp.
2014.11.12	<ol style="list-style-type: none"> 1. Approved Qisda's financial results of 2014 Q3
2015.03.20	<ol style="list-style-type: none"> 1. Approved Qisda's consolidated financial results of 2014 2. Approved the proposal for distribution of 2014 profits 3. Approved to convene 2015 Qisda Annual General Meeting 4. Approved to donate to BenQ Foundation

Creating Value for Shareholders and Giving Back to the Community is an Integral Part of Qisda Value

Qisda's board aims to continue acting in the best interest of our shareholders, in accordance with commonly accepted corporate governance principles. It's with the highest standard that our board members work closely with a dedicated team of audit committee and certificate public accountants in carrying out its supervisor duty.

The board members shall benchmark Qisda against best-in-class corporate governance practices in safeguarding shareholders' interests and making recommendations that will enhance return-on-investment to our shareholders.

by K.Y. Lee, Chairman

Corporate Executive Officers

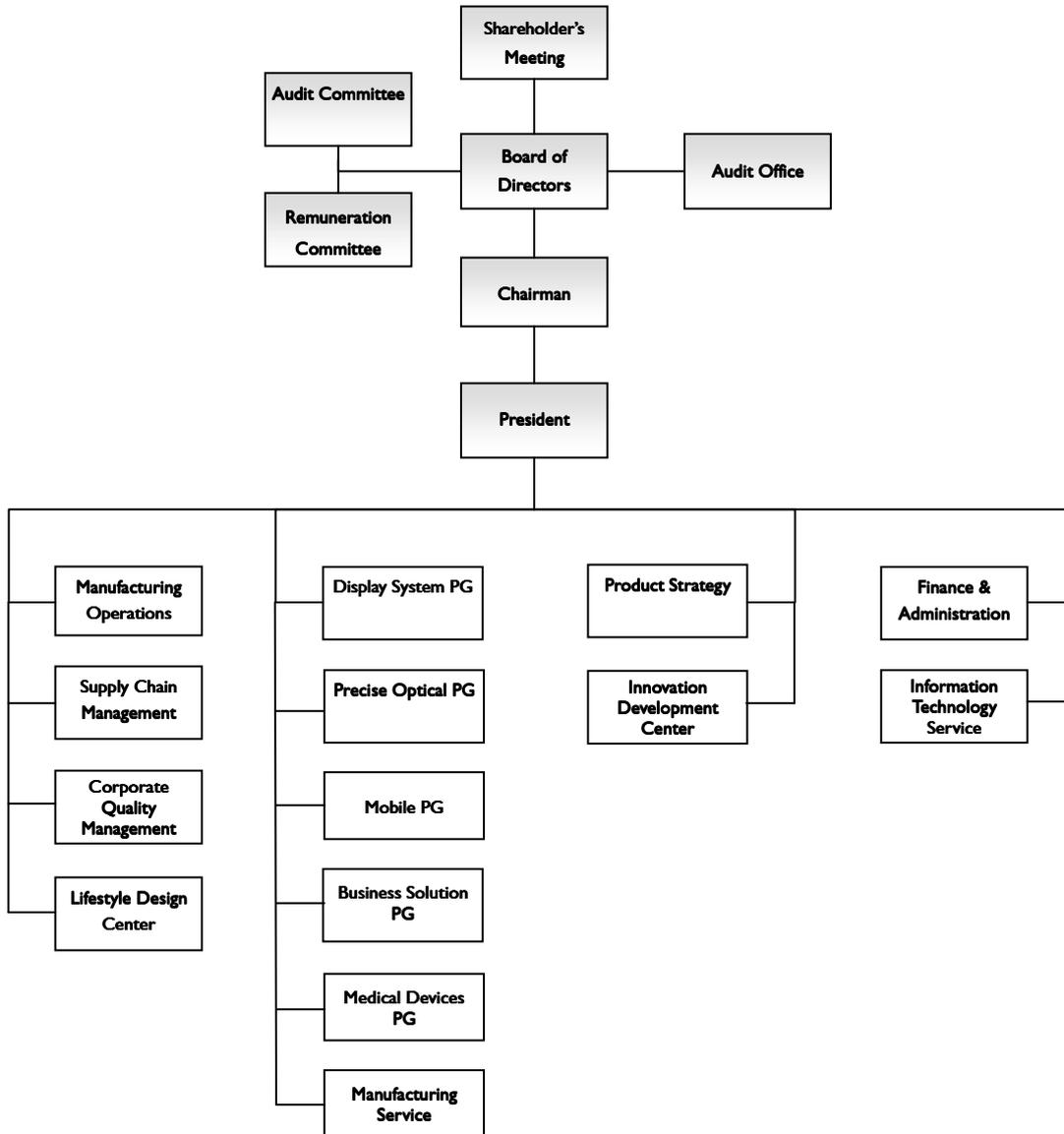
Date: April 19, 2015

Title	Name	Personnel Education & Experience	Other Current Positions
President	Peter Chen	EMBA, Thunderbird, The American Graduate School of International Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center Executive Vice President, BenQ Corp.	Chairman: BenQ Medical Technology Corporation, Partner Tech Corp. Director: BenQ AB Dentcare Corporation, Darfon Electronics Corp., BenQ Corp., Crystalvue Medical Corporation, BenQ Dialysis Technology Corp. Director and President: Qisda Corp.
Senior Vice President & GM, Display System Products Group	Joe Huang	EMBA, Tsing Hua University in Beijing MBA, University of Greenwich	Chairman: Qisda Optronics Corp.
Senior Vice President & GM, Supply Chain Management	C.M. Wu	EMBA, Pacific Western University B.S., Electronics Engineering, Chung Yuan Christian University	-
Senior Vice President & GM, Manufacturing Operations	Mark Hsiao	B.S., Chemical Engineering, Tamkang University AVP, AU Optronics Corp.	-
Senior Vice President & CFO, Finance & Administration	David Wang	M.S., University of Massachusetts B.S., Finance, National Chung Hsing University CEO of Yageo, Ferroxcube CFO of Yageo, Europe	Chairman: BenQ ESCO Corp., Darly Venture Inc., Darly 2 Venture Ltd. Director: BenQ Healthcare Consulting Corporation, Partner Tech Corp., Q.S. Control Corp., BenQ Foundation, BenQ Dialysis Technology Corp.
Vice President & GM, Precise Optical Products Group/ Mobile Products Business Unit/Manufacturing Service	April Huang	B.S., Economics, National Taiwan University Alpha Publishing Inc., Tokyo, Japan Marketing Manager, BenQ Materials Corporation	Director: Qisda Optronics Corp.
Vice President, President Office	Chl Chen	Ph.D., Electrical Engineering, University of California, Los Angeles	-
Vice President & GM, Medical Devices Products Group	Jason Tyan	Ph.D., Electrical Engineering, State University of New York at Stony Brook	Chairman: BenQ Dialysis Technology Corp.
Vice President, Manufacturing Operations	James T. Wang	Ph.D., Mechanical Engineering, Ohio State University B.S., Mechanical Engineering, National Taiwan University	-
Vice President, Corporate Quality Management	CY Ho	EMBA, National Taiwan University B.S., Industrial Engineering, Chung Yuan Christian University	-
Vice President & GM, Business Solutions Group	S.C. Chao	M.S., Electrical Engineering, Utah State University B.S., Control Engineering, National Chiao Tung University	Director: BenQ Guru Corp.

Group Organization

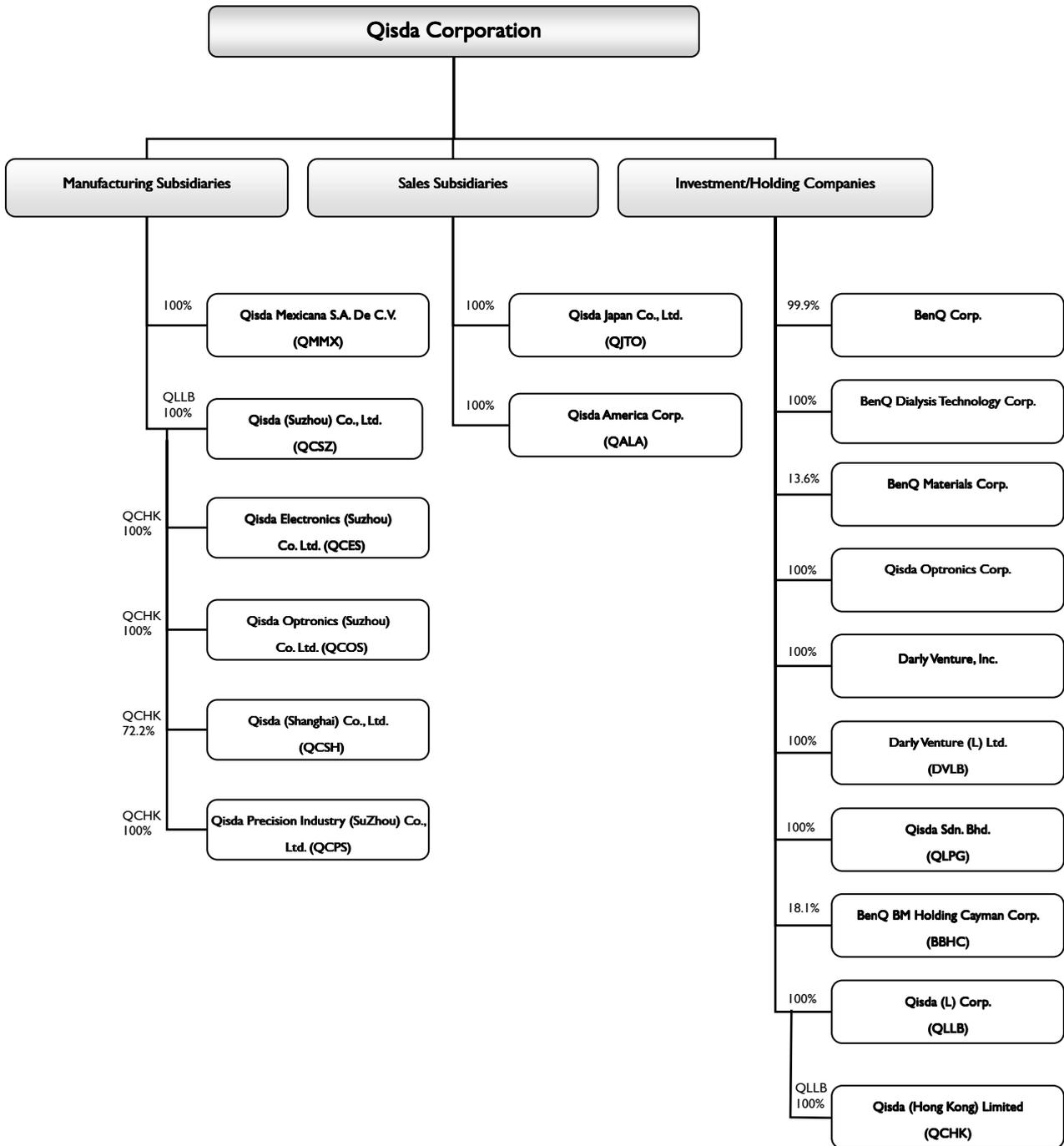
Company Organization Chart

Date: April 19, 2015



Affiliated Companies

Date: December 31, 2014



Company Financials

Capital and Shares

Shares Type and Shares Outstanding

Shares Type	Authorized Shares			Notes
	Outstanding shares	Un-issued shares	Total shares	
Common Shares	1,966,781,958	3,033,218,042	5,000,000,000	-

Ownership and Distribution of Shares

	As of April 19, 2015		
	Number of shareholders	Number of shares held	% of shares held
Domestic Individuals	148,015	1,291,106,305	65.64%
Other Domestic Corporations	156	289,529,271	14.72%
Foreign Institutions and Individuals	315	216,868,344	11.03%
Domestic Financial Institutions	64	169,277,538	8.61%
Government Agencies	3	500	0.00%
Total	148,553	1,966,781,958	100.00%

Net Worth, Earning, Dividends and Market Price Per Share

Unit: NT\$; Per 1,000 Share

		Mar. 31, 2015	2014	2013
Market Price Per Share	Highest Market Price	15.85	16.70	8.35
	Lowest Market Price	14.00	7.28	6.13
	Average Market Price	14.76	13.10	7.29
Net Worth Per Share (Note 1)	Before Distribution	-	13.37	10.45
	After Distribution	-	13.37	10.45
Earnings Per Share (EPS)	Weighted Average Shares	1,966,782	1,966,757	1,966,651
	EPS	-	1.51	0.36
	EPS-adjusted (Note 2)	-	1.51	0.36
Dividends Per Share	Cash dividends	-	0.6	-
	Stock dividends- Earnings	-	-	-
	Stock dividends- Capital Surplus	-	-	-
	Accumulated Undistributed Dividend	-	-	-
Return On Investment	Price/Earning Ratio (Note 3)	-	8.68	-
	Price/Dividend Ratio (Note 4)	-	21.83	-
	Cash Dividend Yield Rate (Note 5)	-	4.6%	-

Note 1: Subject to change after shareholders' meeting resolution

Note 2: Retroactive adjustment for capitalization of bonus

Note 3: Price/Earning ratio = Average market price/Earnings per share

Note 4: Price/Dividend ratio = Average market price/Cash dividends per share

Note 5: Cash dividend yield rate = Cash dividends per share/ Average market price

Dividend Policy

According to Qisda's Article of Incorporation, the company's dividend policy is as follows:

After making the final settlement of account, the Company shall allocate the net profit, if any, according to the following sequences: paying the taxes, making up loss for preceding years, setting aside 10% thereof for legal reserve, setting aside or reversing special reserve in accordance with the regulations of the competent authorities. If there is any residual amount after deducting the amounts stated above, the Company shall distribute the residual amount in accordance with the following orders:

1. 5%~20% of the residual amount to employees as bonus;
2. No more than 1% of residual amount for remuneration of directors;
3. All or part of the remaining residual amount to the shareholders as dividend and bonus.

In the event that the employee bonus provided in Item 1 of the preceding paragraph is share bonus, the employees of domestic or foreign affiliates of the Company are entitled to receive such share bonuses. The Board of Directors or any other person authorized by the Board of Directors is authorized to determine the qualifications and distribution method for distributing the share bonuses.

The Company is belonged to technological and capital capacity high tech industry and is in the growing period. In order to execute long-term capital planning and satisfy the shareholders with cash flow demand, the Company adopts dividend surplus as its dividend policy. Therefore, the Company could keep growing and operating ever. If the Company has surplus profit at the end of the fiscal year, when distributing dividend, the Company should consider the future expanding and cash flow demand and distribute dividend by stock mainly and cash partially. Principally, the ratio of cash dividend to total dividend should not lower than Ten percent of total dividend.

Most Recent 5-year Financial Analysis

2. Consolidated Financial Analysis under International Financial Reporting Standards ("IFRS")

Item		Year				
		2014	2013	2012	2011	2010
Financial ratio	Total liabilities to total assets (%)	71	74	76	-	-
	Financial capital to fixed assets (%)	243	208	223	-	-
Ability to Pay off debt	Current ratios (%)	105	97	102	-	-
	Quick ratios (%)	73	66	65	-	-
	Time interest earned	5.21	2.70	-	-	-
Ability to Operate	A/R turnover (times)	6.11	8.57	9.60	-	-
	A/R turnover days	60	43	38	-	-
	Inventory turnover (times)	7.30	7.18	7.15	-	-
	A/P turnover (times)	4.44	4.65	4.91	-	-
	Inventory turnover days	50	51	51	-	-
	Fixed assets turnover (times)	6.66	5.90	5.72	-	-
	Total assets turnover (times)	1.36	1.35	1.30	-	-
Earning Ability	Return on assets (%)	4	3	(5)	-	-
	Return on equity (%)	12	6	(15)	-	-
	Operating income to paid-in-capital (%)	15	8	(4)	-	-
	PBT to paid-in-capital (%)	19	9	(14)	-	-
	Net income ratio (%)	2	1	(3)	-	-
	EPS (NT\$)	1.51	0.36	(1.41)	-	-
Cash Flow	Cash flow ratio (%)	(9)	12	(1)	-	-
	Cash flow adequacy (%)	0	1	1	-	-
	Cash reinvestment ratio (%)	(3,074)	18	(1)	-	-
Leverage	Operating leverage	6	10	-	-	-
	Financial Leverage	1	3	-	-	-

3. Financial Analysis under International Financial Reporting Standards (“IFRS”)

Item	Year					
	2014	2013	2012	2011	2010	
Financial ratio	Total liabilities to total assets (%)	63	62	62	-	-
	Financial capital to fixed assets (%)	2,258	1,817	1,874	-	-
Ability to Pay off debt	Current ratios (%)	93	85	89	-	-
	Quick ratios (%)	84	72	72	-	-
	Time interest earned	9.77	2.93	-	-	-
Ability to Operate	A/R turnover (times)	4.14	5.53	6.54	-	-
	A/R turnover days	88	66	56	-	-
	Inventory turnover (times)	27.82	24.18	27.16	-	-
	A/P turnover (times)	3.74	4.51	5.64	-	-
	Inventory turnover days	13	15	13	-	-
	Fixed assets turnover (times)	58.04	45.75	43.90	-	-
	Total assets turnover (times)	1.48	1.47	1.44	-	-
Earning Ability	Return on assets (%)	5	2	(5)	-	-
	Return on equity (%)	13	4	(14)	-	-
	Operating income to paid-in-capital (%)	6	0	(5)	-	-
	PBT to paid-in-capital (%)	15	4	(14)	-	-
	Net income ratio (%)	3	1	(4)	-	-
	EPS (NT\$)	1.51	0.36	(1.41)	-	-
Cash Flow	Cash flow ratio (%)	(0.41)	(2)	3	-	-
	Cash flow adequacy (%)	0	3	5	-	-
	Cash reinvestment ratio (%)	(3,506)	(2)	2	-	-
Leverage	Operating leverage	4	-	-	-	-
	Financial Leverage	1	0	1	-	-

4. Consolidated Financial Analysis under Statements of Financial Accounting Standards (“SFAS”)

Item	Year					
	2014	2013	2012	2011	2010	
Financial ratio	Total liabilities to total assets (%)	-	-	76	74	71
	Financial capital to fixed assets (%)	-	-	197	229	271
Ability to Pay off debt	Current ratios (%)	-	-	101	110	107
	Quick ratios (%)	-	-	64	75	69
	Time interest earned	-	-	-	-	5.71
Ability to Operate	A/R turnover (times)	-	-	9.71	10.31	8.92
	A/R turnover days	-	-	38	35	41
	Inventory turnover (times)	-	-	7.11	7.02	7.71
	A/P turnover (times)	-	-	4.89	4.75	4.64
	Inventory turnover days	-	-	51	52	47
	Fixed assets turnover (times)	-	-	5.36	5.89	6.85
	Total assets turnover (times)	-	-	1.35	1.31	1.38
Earning Ability	Return on assets (%)	-	-	(3)	(3)	4
	Return on equity (%)	-	-	(14)	(13)	13
	Operating income to paid-in-capital (%)	-	-	(3)	2	9
	PBT to paid-in-capital (%)	-	-	(13)	(16)	23
	Net income ratio (%)	-	-	(3)	(3)	3
	EPS (NT\$)	-	-	(1.32)	(1.74)	1.94
Cash Flow	Cash flow ratio (%)	-	-	0	0	4
	Cash flow adequacy (%)	-	-	1	0	-
	Cash reinvestment ratio (%)	-	-	0	(2)	3
Leverage	Operating leverage	-	-	-	42	8
	Financial Leverage	-	-	0	-	2

5. Financial Analysis under Statements of Financial Accounting Standards (“SFAS”)

Item		Year				
		2014	2013	2012	2011	2010
Financial ratio	Total liabilities to total assets (%)	-	-	63	61	55
	Financial capital to fixed assets (%)	-	-	2,080	2,320	2,762
Ability to Pay off debt	Current ratios (%)	-	-	87	104	123
	Quick ratios (%)	-	-	70	91	108
	Time interest earned	-	-	-	-	704
Ability to Operate	A/R turnover (times)	-	-	6.62	6.45	6.80
	A/R turnover days	-	-	55	57	54
	Inventory turnover (times)	-	-	27.16	31.09	37.54
	A/P turnover (times)	-	-	5.64	7.90	12.19
	Inventory turnover days	-	-	13	12	10
	Fixed assets turnover (times)	-	-	50.36	46.77	39.34
	Total assets turnover (times)	-	-	1.53	1.24	1.08
Earning Ability	Return on assets (%)	-	-	(4)	(5)	8
	Return on equity (%)	-	-	(13)	(14)	15
	Operating income to paid-in-capital (%)	-	-	(4)	2	1
	PBT to paid-in-capital (%)	-	-	(13)	(17)	21
	Net income ratio (%)	-	-	(3)	(5)	6
	EPS (NT\$)	-	-	(1.32)	(1.74)	1.94
Cash Flow	Cash flow ratio (%)	-	-	3	18	(27)
	Cash flow adequacy (%)	-	-	6	-	-
	Cash reinvestment ratio (%)	-	-	2	10	(9)
Leverage	Operating leverage	-	-	-	176	269
	Financial Leverage	-	-	-	-	-

Attachment I : Independent Auditor's Report & Audited Financial Statements**Independent Auditors' Report**

The Board of Directors
Qisda Corporation:

We have audited the accompanying consolidated balance sheets of Qisda Corporation (the "Company") and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Qisda Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their consolidated operations and their consolidated cash flows for the years then ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the non-consolidated financial statements of Qisda Corporation as of December 31, 2014, and 2013, and the related statements of comprehensive income, change in equity, and cash flows for the years ended December 31, 2014 and 2013, on which we have issued an unqualified opinion.

Taipei, Taiwan (the Republic of China)
March 19, 2015

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2014 and 2013
(In thousands of New Taiwan Dollars)

	2014.12.31	2013.12.31
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,988,974	11,479,890
Financial assets at fair value through profit or loss—current	477,624	249,296
Available-for-sale financial assets—current	534,674	-
Notes and accounts receivable, net	22,879,253	12,659,185
Notes and accounts receivable from related parties	5,337,771	2,809,182
Other receivables	688,988	1,326,076
Other receivables from related parties	182,598	153,070
Inventories	17,772,185	14,671,779
Other current assets	1,504,410	2,289,110
Other financial assets—current	1,595,226	1,543,985
Non-current assets held for sale	<u>54,065</u>	<u>-</u>
Total current assets	<u>60,015,768</u>	<u>47,181,573</u>
Non-current assets:		
Available-for-sale financial assets—non-current	904,407	1,120,158
Investments accounted for using equity method	15,581,079	13,938,461
Property, plant and equipment	19,892,498	20,175,295
Investment property	3,109,718	2,446,934
Intangible assets	208,428	174,808
Deferred income tax assets	1,802,527	1,594,881
Other non-current assets	171,250	116,782
Other financial assets—non-current	973,520	1,002,468
Long-term prepaid rents	<u>2,860,935</u>	<u>2,860,969</u>
Total non-current assets	45,504,362	43,430,756
Total assets	\$ <u>105,520,130</u>	<u>90,612,329</u>

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2014 and 2013
(In thousands of New Taiwan Dollars)

	2014.12.31	2013.12.31
Liabilities and Equity		
Current liabilities:		
Short-term borrowings	\$ 14,138,414	9,861,956
Financial liabilities at fair value through profit or loss—current	120,653	80,302
Notes and accounts payable	26,167,639	22,638,888
Accounts payable to related parties	2,672,799	1,884,581
Other payables	9,631,495	8,880,205
Other payables to related parties	26,705	62,635
Other current liabilities	625,377	693,284
Current portion of long-term debt	3,217,919	4,062,084
Provisions—current	<u>500,283</u>	<u>543,748</u>
Total current liabilities	<u>57,101,284</u>	<u>48,707,683</u>
Non-current liabilities:		
Long-term debt	14,943,270	16,323,515
Lease obligations payable—non-current	961,605	975,512
Provisions—non-current	800,880	707,059
Deferred income tax liabilities	147,213	93,388
Other non-current liabilities	<u>531,415</u>	<u>380,464</u>
Total non-current liabilities	<u>17,384,383</u>	<u>18,479,938</u>
Total liabilities	<u>74,485,667</u>	<u>67,187,621</u>
Equity attributable to shareholders of the Company:		
Common stock	19,667,820	19,667,820
Capital surplus	1,990,292	-
Retained earnings (accumulated deficit)	2,426,890	(447,263)
Other equity	2,202,015	1,331,522
Treasury stock	<u>-</u>	<u>(213)</u>
Total equity attributable to shareholders of the Company	<u>26,287,017</u>	<u>20,551,866</u>
Non-controlling interests	<u>4,747,446</u>	<u>2,872,842</u>
Total equity	<u>31,034,463</u>	<u>23,424,708</u>
Total liabilities and equity	\$ <u>105,520,130</u>	<u>90,612,329</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2014 and 2013
(In thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014	2013
Net sales	\$ 133,510,923	119,230,535
Cost of sales	<u>118,453,278</u>	<u>106,634,262</u>
Gross profit	<u>15,057,645</u>	<u>12,596,273</u>
Operating expenses:		
Selling expenses	5,997,189	5,544,193
Administrative expenses	2,923,642	2,588,234
Research and development expenses	<u>3,208,567</u>	<u>2,902,695</u>
Total operating expenses	<u>12,129,398</u>	<u>11,035,122</u>
Operating income	<u>2,928,247</u>	<u>1,561,151</u>
Non-operating income and loss:		
Other income	366,026	505,966
Other gains and losses – net	64,467	387,313
Finance costs	(876,317)	(1,016,010)
Share of profit of associates and joint ventures	<u>1,205,447</u>	<u>287,767</u>
Total non-operating income and loss	<u>759,623</u>	<u>165,036</u>
Income before income tax	3,687,870	1,726,187
Income tax expense	<u>354,731</u>	<u>320,209</u>
Net income	<u>3,333,139</u>	<u>1,405,978</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	910,814	426,865
Change in fair value of available-for-sale financial assets	66,939	1,101,005
Actuarial gain (loss) from defined benefit plans	(38,232)	25,846
Share of other comprehensive income of associates and joint ventures	178,740	243,814
Less: Income tax related to components of other comprehensive income	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,118,261</u>	<u>1,797,530</u>
Total comprehensive income for the year	\$ <u>4,451,400</u>	<u>3,203,508</u>
Net income attributable to:		
Shareholders of the Company	\$ 2,971,068	709,272
Non-controlling interests	<u>362,071</u>	<u>696,706</u>
	\$ <u>3,333,139</u>	<u>1,405,978</u>
Total comprehensive income attributable to:		
Shareholders of the Company	\$ 3,890,695	2,391,619
Non-controlling interests	<u>560,705</u>	<u>811,889</u>
	\$ <u>4,451,400</u>	<u>3,203,508</u>
Earnings per share (in New Taiwan dollars):		
Basic earnings per share	\$ <u>1.51</u>	<u>0.36</u>
Diluted earnings per share	\$ <u>1.50</u>	<u>0.36</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(In thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company					Total	Treasury stock	Total equity of the Company	Non-controlling interests	Total equity
	Common stock	Capital Surplus	Retained earnings (accumulated deficit)	Foreign currency translation differences	Other equity Unrealized gain (loss) from available-for-sale financial assets					
Balance at January 1, 2013	\$ 19,667,820	-	(977,063)	267,043	(590,638)	(323,595)	(6,880)	18,360,282	1,995,986	20,356,268
Changes in equity of associates and joint ventures accounted for using equity method	-	-	(201,612)	-	-	-	-	(201,612)	-	(201,612)
Change in treasury stock held by subsidiaries	-	-	(5,090)	-	-	-	6,667	1,577	-	1,577
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	-	-	-	-	-	-	-	(4,512)	(4,512)
Distribution of cash dividend by subsidiaries to non-controlling interest	-	-	-	-	-	-	-	-	(5,591)	(5,591)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	30,070	30,070
Changes in non-controlling interests	-	-	-	-	-	-	-	-	45,000	45,000
Net income in 2013	-	-	709,272	-	-	-	-	709,272	696,706	1,405,978
Other comprehensive income in 2013	-	-	27,230	565,328	1,089,789	1,655,117	-	1,682,347	115,183	1,797,530
Total comprehensive income in 2013	-	-	736,502	565,328	1,089,789	1,655,117	-	2,391,619	811,889	3,203,508
Balance at December 31, 2013	<u>19,667,820</u>	<u>-</u>	<u>(447,263)</u>	<u>832,371</u>	<u>499,151</u>	<u>1,331,522</u>	<u>(213)</u>	<u>20,551,866</u>	<u>2,872,842</u>	<u>23,424,708</u>
Changes in equity of associates and joint ventures accounted for using equity method	-	-	(66,279)	-	-	-	-	(66,279)	-	(66,279)
Change in treasury stock held by subsidiaries	-	-	(896)	-	-	-	213	(683)	-	(683)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(61,039)	(61,039)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	259,674	-	-	-	-	-	259,674	11,146	270,820
Capital injection from non-controlling interests	-	1,730,618	-	(78,874)	-	(78,874)	-	1,651,744	1,378,658	3,030,402
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	9,513	9,513
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(24,379)	(24,379)
Net income in 2014	-	-	2,971,068	-	-	-	-	2,971,068	362,071	3,333,139
Other comprehensive income in 2014	-	-	(29,740)	900,839	48,528	949,367	-	919,627	198,634	1,118,261
Total comprehensive income in 2014	-	-	2,941,328	900,839	48,528	949,367	-	3,890,695	560,705	4,451,400
Balance at December 31, 2014	<u>\$ 19,667,820</u>	<u>1,990,292</u>	<u>2,426,890</u>	<u>1,654,336</u>	<u>547,679</u>	<u>2,202,015</u>	<u>-</u>	<u>26,287,017</u>	<u>4,747,446</u>	<u>31,034,463</u>

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(In thousands of New Taiwan Dollars)

	2014	2013
Cash flows from operating activities:		
Income before income tax	\$ <u>3,687,870</u>	<u>1,726,187</u>
Adjustments for:		
Depreciation	1,996,479	2,301,479
Amortization	182,313	203,987
Provision for (reversal of) bad debt expense	(1,214)	42,071
Interest expense	876,317	1,016,010
Interest income	(274,554)	(191,207)
Dividend income	(40,275)	(17,140)
Share-based compensation cost	9,513	-
Share of profit of associates and joint ventures	(1,205,447)	(287,767)
Loss (gain) on disposal of property, plant and equipment, net	11,234	(50,877)
Loss (gain) on disposal of investments	(161,497)	240,387
Impairment loss on non-financial assets	<u>-</u>	<u>519</u>
Total non-cash profit and loss	<u>1,392,869</u>	<u>3,257,462</u>
Changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	(186,638)	(41,505)
Notes and accounts receivable, net	(10,220,585)	(2,363,686)
Notes and accounts receivable from related parties	(2,528,589)	(745,748)
Other receivables	653,678	41,002
Other receivables from related parties	1,333	(3,018)
Inventories	(3,100,406)	359,559
Other current assets	736,130	502,094
Other non-current assets	<u>(46,578)</u>	<u>280,250</u>
Net changes in operating assets	<u>(14,691,655)</u>	<u>(1,971,052)</u>
Notes and accounts payable	3,528,751	2,891,124
Accounts payable to related parties	788,218	249,026
Other payables to related parties	(35,666)	33,242
Provisions	50,356	(97,318)
Other current liabilities	929,459	893,615
Other non-current liabilities	<u>112,747</u>	<u>(20,809)</u>
Net changes in operating liabilities	<u>5,373,865</u>	<u>3,948,880</u>
Total changes in operating assets and liabilities	<u>(9,317,790)</u>	<u>1,977,828</u>
Cash provided by (used in) operations	(4,237,051)	6,961,477
Interest received	257,964	153,253
Dividend received	192,497	103,381
Interest paid	(845,445)	(974,884)
Income taxes paid	<u>(624,459)</u>	<u>(439,505)</u>
Net cash provided by (used in) operating activities	<u>(5,256,494)</u>	<u>5,803,722</u>

(Continued)

Qisda Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(In thousands of New Taiwan Dollars)

	2014	2013
Cash flows from investing activities:		
Additions to available-for-sale financial assets	(373,162)	(35,000)
Proceeds from sale of available-for-sale financial assets	44,986	2,303,078
Purchase of investments accounted for using equity method	(325,072)	(2,000)
Proceeds from disposal of investments accounted for using equity method	2,460	138,856
Acquisition of a subsidiary, net of cash acquired	-	(177,187)
Additions to property, plant and equipment	(1,413,320)	(1,949,505)
Proceeds from disposal of property, plant and equipment	25,596	355,903
Increase in loan receivables from related parties	(30,861)	(39,608)
Additions to intangible assets	(148,564)	(101,218)
Decrease in long-term prepaid rents	51,807	-
Additions to investment property	(437,940)	(809,229)
Increases in other financial assets	(22,508)	(488,515)
Net cash outflow from deconsolidation of subsidiaries	<u>(35,855)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,662,433)</u>	<u>(804,425)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	4,276,458	1,713,807
Increase in long-term debt	10,634,750	6,361,201
Repayment of long-term debt	(13,211,069)	(10,858,527)
Decrease in lease obligations payable	(46,360)	-
Acquisition of subsidiary's interests from non-controlling interests	(69,410)	(7,069)
Proceeds from disposal of subsidiary's interests (without losing control)	344,950	-
Capital injection from non-controlling interests	3,030,402	-
Increase in non-controlling interests	-	24,500
Cash dividends paid to non-controlling interests	<u>(61,039)</u>	<u>(5,591)</u>
Net cash provided by (used in) financing activities	<u>4,898,682</u>	<u>(2,771,679)</u>
Effects of foreign exchange rate changes	<u>529,329</u>	<u>347,171</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,490,916)</u>	<u>2,574,789</u>
Cash and cash equivalents at beginning of year	<u>11,479,890</u>	<u>8,905,101</u>
Cash and cash equivalents at end of year	\$ <u>8,988,974</u>	<u>11,479,890</u>

Independent Auditors' Report

The Board of Directors
Qisda Corporation:

We have audited the accompanying balance sheets of Qisda Corporation (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Qisda Corporation as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Taipei, Taiwan (the Republic of China)
March 19, 2015

Notes to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Qisda Corporation
Parent Company Only Balance Sheets
December 31, 2014 and 2013
(In thousands of New Taiwan dollars)

	2014.12.31	2013.12.31
Assets		
Current assets:		
Cash and cash equivalents	\$ 388,333	815,848
Financial assets at fair value through profit or loss—current	74,803	39,775
Available-for-sale financial assets—current	238,414	-
Notes and accounts receivable, net	13,127,736	5,376,530
Notes and accounts receivable from related parties	15,649,089	10,627,107
Other receivables	156,668	650,610
Other receivables from related parties	11,635	134,916
Inventories	3,213,410	3,104,785
Other current assets	<u>70,907</u>	<u>84,118</u>
Total current assets	<u>32,930,995</u>	<u>20,833,689</u>
Non-current assets:		
Available-for-sale financial assets—non-current	22,062	261,968
Investments accounted for using equity method	34,614,189	29,399,856
Property, plant and equipment	1,574,819	1,621,806
Intangible assets	20,706	28,360
Deferred income tax assets	1,040,455	1,035,337
Other non-current assets	26,334	23,289
Other financial assets—non-current	<u>809,482</u>	<u>862,407</u>
Total non-current assets	38,108,047	33,233,023
Total assets	\$ <u>71,039,042</u>	<u>54,066,712</u>

(Continued)

Qisda Corporation
Parent Company Only Balance Sheets
December 31, 2014 and 2013
(In thousands of New Taiwan dollars)

	2014.12.31	2013.12.31
Liabilities and Equity		
Current liabilities:		
Short-term borrowings	\$ 2,648,170	1,072,980
Financial liabilities at fair value through profit or loss — current	-	12,537
Notes and accounts payable	3,566,024	2,296,375
Accounts payable to related parties	25,184,494	15,956,055
Other payables	2,263,271	1,852,693
Other payables to related parties	266,850	17,797
Current portion of long-term debt	1,280,464	3,066,445
Provisions — current	38,282	66,952
Other current liabilities	<u>236,785</u>	<u>263,369</u>
Total current liabilities	<u>35,484,340</u>	<u>24,605,203</u>
Non-current liabilities:		
Long-term debt	8,870,891	8,651,248
Provisions — non-current	226,079	194,246
Deferred income tax liabilities	11,486	6,368
Other non-current liabilities	<u>159,229</u>	<u>57,781</u>
Total non-current liabilities	<u>9,267,685</u>	<u>8,909,643</u>
Total liabilities	<u>44,752,025</u>	<u>33,514,846</u>
Equity		
Common stock	19,667,820	19,667,820
Capital surplus	1,990,292	-
Retained earnings (accumulated deficit)	2,426,890	(447,263)
Other equity	2,202,015	1,331,522
Treasury stock	<u>-</u>	<u>(213)</u>
Total equity	<u>26,287,017</u>	<u>20,551,866</u>
Total liabilities and equity	\$ <u>71,039,042</u>	<u>54,066,712</u>

Qisda Corporation
 Parent Company Only Statements of Comprehensive Income
 For the years ended December 31, 2014 and 2013
 (In thousands of New Taiwan dollars, Except Earnings Per Share)

	2014	2013
Net sales	\$ 92,772,579	75,591,504
Cost of sales	<u>87,900,735</u>	<u>72,587,777</u>
Gross profit	4,871,844	3,003,727
Unrealized gross profit on sales to subsidiaries	<u>(128,066)</u>	<u>(131,512)</u>
Realized gross profit	<u>4,743,778</u>	<u>2,872,215</u>
Operating expenses:		
Selling expenses	858,288	651,311
Administrative expenses	514,417	379,349
Research and development expenses	<u>2,260,459</u>	<u>1,887,155</u>
Total operating expenses	<u>3,633,174</u>	<u>2,917,815</u>
Operating income (loss)	<u>1,110,604</u>	<u>(45,600)</u>
Non-operating income and loss:		
Other income	38,383	187,423
Other gains and losses – net	(7,384)	(128,885)
Finance costs	(338,594)	(367,046)
Share of profit of subsidiaries, associates and joint ventures	<u>2,168,059</u>	<u>1,063,380</u>
Total non-operating income and loss	<u>1,860,464</u>	<u>754,872</u>
Income before income tax	2,971,068	709,272
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>2,971,068</u>	<u>709,272</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	732,521	402,000
Change in fair value of available-for-sale financial assets	18,011	881,654
Actuarial gain (loss) from defined benefit plans	(24,876)	11,901
Share of other comprehensive income of subsidiaries, associates and joint ventures	193,971	386,792
Less: Income tax related to components of other comprehensive income	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>919,627</u>	<u>1,682,347</u>
Total comprehensive income for the year	<u>\$ 3,890,695</u>	<u>2,391,619</u>
Earnings per share (in New Taiwan dollars):		
Basic earnings per share	\$ <u>1.51</u>	<u>0.36</u>
Diluted earnings per share	\$ <u>1.50</u>	<u>0.36</u>

Qisda Corporation
Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(In thousands of New Taiwan dollars)

	Common stock	Capital Surplus	Retained earnings (accumulated deficit)	Other equity		Total	Treasury stock	Total equity
				Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets			
Balance at January 1, 2013	\$ 19,667,820	-	(977,063)	267,043	(590,638)	(323,595)	(6,880)	18,360,282
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	(201,612)	-	-	-	-	(201,612)
Change in treasury stock held by subsidiaries	-	-	(5,090)	-	-	-	6,667	1,577
Net income in 2013	-	-	709,272	-	-	-	-	709,272
Other comprehensive income in 2013	-	-	27,230	565,328	1,089,789	1,655,117	-	1,682,347
Total comprehensive income in 2013	-	-	736,502	565,328	1,089,789	1,655,117	-	2,391,619
Balance at December 31, 2013	<u>19,667,820</u>	<u>-</u>	<u>(447,263)</u>	<u>832,371</u>	<u>499,151</u>	<u>1,331,522</u>	<u>(213)</u>	<u>20,551,866</u>
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	1,730,618	(66,279)	(78,874)	-	(78,874)	-	1,585,465
Change in treasury stock held by subsidiaries	-	-	(896)	-	-	-	213	(683)
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries	-	259,674	-	-	-	-	-	259,674
Net income in 2014	-	-	2,971,068	-	-	-	-	2,971,068
Other comprehensive income in 2014	-	-	(29,740)	900,839	48,528	949,367	-	919,627
Total comprehensive income in 2014	-	-	2,941,328	900,839	48,528	949,367	-	3,890,695
Balance at December 31, 2014	<u>\$ 19,667,820</u>	<u>1,990,292</u>	<u>2,426,890</u>	<u>1,654,336</u>	<u>547,679</u>	<u>2,202,015</u>	<u>-</u>	<u>26,287,017</u>

Qisda Corporation
 Parent Company Only Statements of Cash Flows
 For the years ended December 31, 2014 and 2013
 (In thousands of New Taiwan dollars)

	2014	2013
Cash flows from operating activities:		
Income before income tax	\$ <u>2,971,068</u>	<u>709,272</u>
Adjustments for:		
Depreciation	79,519	82,427
Amortization	18,710	26,507
Interest expense	338,594	367,046
Interest income	(6,479)	(7,176)
Dividend income	(12,315)	(3,664)
Share of profit of subsidiaries, associates and joint ventures	(2,168,059)	(1,063,380)
Gain on disposal of property, plant and equipment, net	(724)	(1,402)
Loss (gain) on disposal of investments	(94,502)	260,785
Unrealized gross profit on sales to subsidiaries	<u>128,066</u>	<u>131,512</u>
Total profit and loss	<u>(1,717,190)</u>	<u>(207,345)</u>
Changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	(47,503)	(57,456)
Notes and accounts receivable, net	(7,751,206)	(826,536)
Notes and accounts receivable from related parties	(5,021,982)	(3,863,781)
Other receivables	493,184	(25,706)
Other receivables from related parties	8,867	(11,799)
Inventories	(108,625)	(204,385)
Other current assets	18,783	(731)
Other non-current assets	<u>(16,800)</u>	<u>-</u>
Net changes in operating assets	<u>(12,425,282)</u>	<u>(4,990,394)</u>
Notes and accounts payable	1,269,649	(150,518)
Accounts payable to related parties	9,228,439	4,462,752
Other payables to related parties	249,053	(20,719)
Provisions	3,163	(144,370)
Other payables and other current liabilities	391,476	175,000
Other non-current liabilities	<u>76,572</u>	<u>4,056</u>
Net changes in operating liabilities	<u>11,218,352</u>	<u>4,326,201</u>
Total changes in operating assets and liabilities	<u>(1,206,930)</u>	<u>(664,193)</u>
Cash provided by (used in) operations	46,948	(162,266)
Interest received	7,237	11,811
Dividend received	136,554	40,245
Interest paid	(332,437)	(359,433)
Income taxes paid	<u>(3,377)</u>	<u>(3,009)</u>
Net cash used in operating activities	<u>(145,075)</u>	<u>(472,652)</u>

(Continued)

Qisda Corporation
 Parent Company Only Statements of Cash Flows
 For the years ended December 31, 2014 and 2013
 (In thousands of New Taiwan dollars)

	2014	2013
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	24,460	2,206,095
Purchase of investments accounted for using equity method	(432,065)	-
Additions to property, plant and equipment	(33,265)	(24,818)
Proceeds from disposal of property, plant and equipment	1,457	4,699
Decrease (increase) in loan receivables from related parties	108,752	(167,697)
Additions to intangible assets	(13,556)	(4,265)
Decrease (increase) in other financial assets	<u>52,925</u>	<u>(30,264)</u>
Net cash provided by (used in) investing activities	<u>(291,292)</u>	<u>1,983,750</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,575,190	665,076
Increase in long-term debt	9,120,650	4,423,789
Repayment of long-term debt	<u>(10,686,988)</u>	<u>(6,127,216)</u>
Net cash provided by (used in) financing activities	<u>8,852</u>	<u>(1,038,351)</u>
Net increase (decrease) in cash and cash equivalents	(427,515)	472,747
Cash and cash equivalents at beginning of year	<u>815,848</u>	<u>343,101</u>
Cash and cash equivalents at end of year	\$ <u>388,333</u>	<u>815,848</u>

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